



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0562	Title:	Allow change in application of protested school taxes to GTB
Primary Sponsor:	Cohenour, Jill	Status:	As Amended

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| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	*****	UNKNOWN	*****	*****
Revenue:				
General Fund	*****	UNKNOWN	*****	*****
Net Impact-General Fund Balance:	*****	UNKNOWN	*****	*****

Description of fiscal impact: HB 562 would allow a school district the ability to waive the school district's right to protested taxes. Under HB 562, a district that waives its right to receive its portion of protested taxes could be eligible for a greater GTB subsidy per mill than if it did not waive its right. Circumstances vary in each district such that each affected district will need to determine if its interests are better served by waiving its right to the protested taxes or by drawing on the available protested taxes.

HB 562 would require the department of revenue to refund to the taxpayer the protested portion of property taxes that the school district elected to waive.

FISCAL ANALYSIS

Assumptions:

Office of Public Instruction

1. It is assumed that the "department" referenced in Section 1 is the Department of Revenue.

2. HB 562 allows a school district that has property subject to a pending property tax protest to waive the school district's right to receive its portion of protested taxes for the previous year. If the district waives its right to its portion of the protested taxes, the district guaranteed tax base aid (GTB) subsidy per mill must be determined based on the total taxable value of property in the school district that is not subject to a tax protest.
3. The impact of this legislation is unknown. The impact to school districts depends on which school districts would choose to waive their right to the protested taxes and whether the districts that waive their right are eligible for GTB.
4. HB 562 reduces the district taxable value in the previous year by the amount of protested taxes for the calculation of GTB, if a district chooses to waive its portion of protested taxes. The proposed legislation raises a district's GTB ratio when the district chooses to waive its right to protested taxes. HB 562 does not effect the statewide taxable valuation used to compute the statewide GTB ratios for elementary and high school programs. Therefore the district will be eligible for a greater subsidy per mill than it would be eligible for under current law.
5. A school district that is eligible for GTB is more likely to waive its right to protested taxes than a district that is not eligible. However, the consideration of the amount of GTB payment compared to the amount of protested tax available to the school district would be a consideration.
6. Under current law, school districts and other taxing jurisdictions affected by the payment of taxes under protest may demand that the county treasurer or municipality pay the requesting taxing jurisdiction all or a portion of the protest payments to which it is entitled, except the amount paid by the taxpayer in the first year of the protest. This applies to protested centrally assessed properties as well except that the request can be made in the first year of the protest for centrally assessed properties.
7. 15-1-402(6)(d)(i), MCA, describes the effect of adverse protest settlement. If the school district has demanded its payment of protested taxes, the treasurer can levy the jurisdiction for the portion needed to pay the settlement.

Department of Revenue

8. If a school district chooses to waive its right to centrally assessed protested taxes in a specific year pursuant to section 1 of HB 562, the county treasurer must remit the property taxes levied to the department.
9. Three major property tax protests are currently unresolved. These outstanding appeals have been filed by Qwest, Puget Sound Energy, and PacifiCorp.
10. Upon settlement of the protest, the department is responsible for refunding protested taxes, paying any other costs due the protesting taxpayer, and retaining any portion of protested taxes that would have been distributed to the school district for each year the school district has elected to waive receiving its portion of the protested taxes. This could mean unexpected revenues for the state.
11. The amended version of the bill defines how/where the school district money is to be deposited. The protested payments are to be deposited 50% in a protested tax state special revenue fund and 50% to the general fund as protested property taxes. Any refunds of the protested school district taxes, along with interest, that were remitted to the state because the school district waived its right to the taxes are to be paid first from the school district protested property tax fund. If the amount of the refund exceeds the amount available in the protested fund then the remainder is to be paid from the state general fund.
12. As amended, the Department of Revenue would have no additional expenditures associated with administering this bill.

Sponsor's Initials

Date

Budget Director's Initials

Date